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UNCLAS SECTION 01 OF 04 ROME 000250

SIPDIS

DEPT FOR EB/CIP, EUR/WE
COMMERCE FOR SPECK
FCC FOR ABERNATHY
JUSTICE FOR WILNER

E.O. 12958: N/A
TAGS: [ECPS](#) [ETRD](#) [IT](#) [EUN](#)
SUBJECT: SCENE-SETTER U.S-ITALY COMMUNICATIONS BILATERAL
MARCH 6-7, 2003

REF: A) 2002 ROME 05535, B) 2002 ROME 06097, C) 2002

ROME 06018 D) DOHERTY/FINTON TELECONS/E-MAILS E) 2002
MILAN 262

¶11. THE FOLLOWING REPORT IS INTENDED AS AN OVERVIEW OF RECENT DEVELOPMENTS IN ITALY'S COMMUNICATIONS SECTOR TO HELP WASHINGTON AGENCIES PREPARE FOR MARCH 6-7, 2003 BILATERAL MEETINGS IN ROME.

¶12. SUMMARY. ITALY HAS ONE OF THE LARGEST AND MOST DEVELOPED COMMUNICATIONS MOBILE AND FIXED LINE MARKETS IN THE WORLD. THE GOVERNMENT HAS LIBERALIZED THE COMMUNICATIONS MARKET, HAS IMPLEMENTED EU-RELATED DIRECTIVES AND IS GENERALLY CONSIDERED AMONG THE MORE OPEN WITHIN THE EU IN COMMUNICATIONS POLICY. RECENTLY, HOWEVER, GOVERNMENT INTERVENTION IN THE MARKET HAS BEEN INCREASING. ON THE REGULATORY SIDE, THE COMPLEX LAYERS OF LEGISLATION (EU, NATIONAL AND REGIONAL) ARE CAUSING PROBLEMS FOR COMMUNICATIONS COMPANIES.

¶13. ITALY HAS AWARDED 3G (UMTS) LICENSES, BUT COMMERCIAL APPLICATIONS OF 3G OPERATIONS ARE NOT EXPECTED SOON. INTERNET USE IS GROWING, BUT COMMERCIAL USE, BOTH B2B AND B2C, IS NOT AT THE LEVEL OF OTHER EUROPEAN ECONOMIES. ITALY HAS AN AMBITIOUS STRATEGY TO BRING BROADBAND TO ALL PARTS OF THE GOVERNMENT BY THE END OF [¶2005](#). END SUMMARY.

A LIBERALIZED MARKET, BUT STILL WITH PROBLEMS

¶14. OVER THE LAST DECADE, ITALY HAS LIBERALIZED ITS COMMUNICATIONS POLICIES AND IMPLEMENTED RELATED EU DIRECTIVES IN A PRO-MARKET MANNER. OUR SECTOR CONTACTS MAINTAIN THAT AFTER THE UK, ITALY HAS THE MOST OPEN COMMUNICATIONS MARKET IN THE EU. SOME NOTABLE SIGNS OF PROGRESS: TARIFFS ARE MORE ALIGNED WITH COSTS, IN PARTICULAR REGARDING LEASED LINES; INTERCONNECTION CHARGES REMAIN BELOW EU AVERAGE; THERE IS AN ESTABLISHED REGULATORY REGIME REGARDING LOCAL LOOP UNBUNDLING; CARRIER PRE-SELECTION IS POPULAR AND WIDESPREAD; AND NUMBER PORTABILITY, ALTHOUGH DELAYED FROM THE MAY 2002 TARGET, IS SOON TO OCCUR.

¶15. DESPITE THESE POSITIVE DEVELOPMENTS, PROBLEMS CLEARLY REMAIN. MOBILE TERMINATION RATES, FIXED TO MOBILE IN PARTICULAR, REMAIN AMONG THE HIGHEST IN EUROPE WITH LITTLE TRANSPARENCY REGARDING COST STRUCTURE FOR CONSUMERS. IN ADDITION, SOME NEW MARKET ENTRANTS ARE CONCERNED WITH TELECOM ITALIAS (THE FORMER INCUMBENT) DELAYS AND LACK OF TRANSPARENCY WITH PROCEDURES IN ALLOWING INTERCONNECTION AND LOCAL LOOP ACCESS. RIGHTS OF WAY REMAIN A BOTTLENECK TO DEVELOPMENT OF ALTERNATIVE INFRASTRUCTURE, ALTHOUGH PROBLEMS SEEM TO BE PRIMARILY AT THE LOCAL LEVEL.

AND NEW COMPLEXITIES EMERGE

¶16. ONE EMERGING ISSUE CONCERN'S THE GROWING LEGAL COMPLEXITY OF THE ITALIAN MARKET. WITH A 2001 LAW, THE CENTRAL GOVERNMENT HAS DEVOLVED SEVERAL POWERS TO ITALY'S 20 ADMINISTRATIVE REGIONS. COMPANIES NOW HAVE TO TAKE INTO ACCOUNT REGIONAL LAWS IN ADDITION TO EU DIRECTIVES AND NATIONAL LEGISLATION. WHILE REGIONS DO NOT HAVE AUTHORITY IN THE FIELD OF COMMUNICATIONS, THEY DO LEGISLATE ON ENVIRONMENTAL ISSUES, WHICH OFTEN HAVE AN IMPACT ON COMMUNICATIONS AND INFRASTRUCTURE DEVELOPMENT. ONE EXAMPLE PROVIDED BY A U.S. COMPANY IS THAT OF THE NEWLY IMPOSED REGIONAL LIMITS ON ELECTRONIC MAGNETIC TRANSMISSION. MOST REGIONS ARE ADOPTING STANDARDS THAT ARE SIGNIFICANTLY LOWER THAN THE EU CEILING. MOREOVER, EACH REGION IMPOSES DIFFERENT LIMITATIONS, MAKING IT DIFFICULT FOR COMPANIES TO DEVELOP COUNTRY-WIDE STRATEGIES.

THE GOI BACK IN THE DRIVERS SEAT

**17. DURING THE MID- THROUGH LATE 1990S, INDEPENDENT
REGULATORS ASSUMED MANY OF THE POWERS PREVIOUSLY HELD BY**

ACTION CIP-00

INFO LOG-00 AID-00 CEA-01 CIAE-00 CTME-00 DODE-00 ITCE-00
SRPP-00 EB-00 EXME-00 EUR-00 E-00 UTED-00 VC-00
FRB-00 H-01 TEDE-00 INR-00 ITC-01 LAB-01 L-00
VCE-00 AC-01 NSAE-00 NSCE-00 OES-00 OMB-01 OPIC-01
ACE-00 SP-00 IRM-00 SSO-00 SS-00 STR-00 TEST-00
TRSE-00 USIE-00 EPAE-00 DRL-02 G-00 SAS-00 /009W

P 211525Z JAN 03

FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 7777

INFO USDOC WASHDC

USEU BRUSSELS 3066

FCC WASHDC

DEPT OF COMMERCE WASHDC

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AMCONSUL MILAN

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